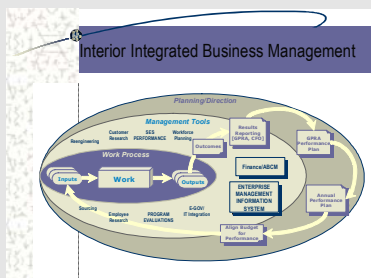


# INTERIOR'S INTEGRATED BUSINESS MANAGEMENT FRAMEWORK

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May 1, 2003



## Transformation of Financial Management In Interior: Phase 1

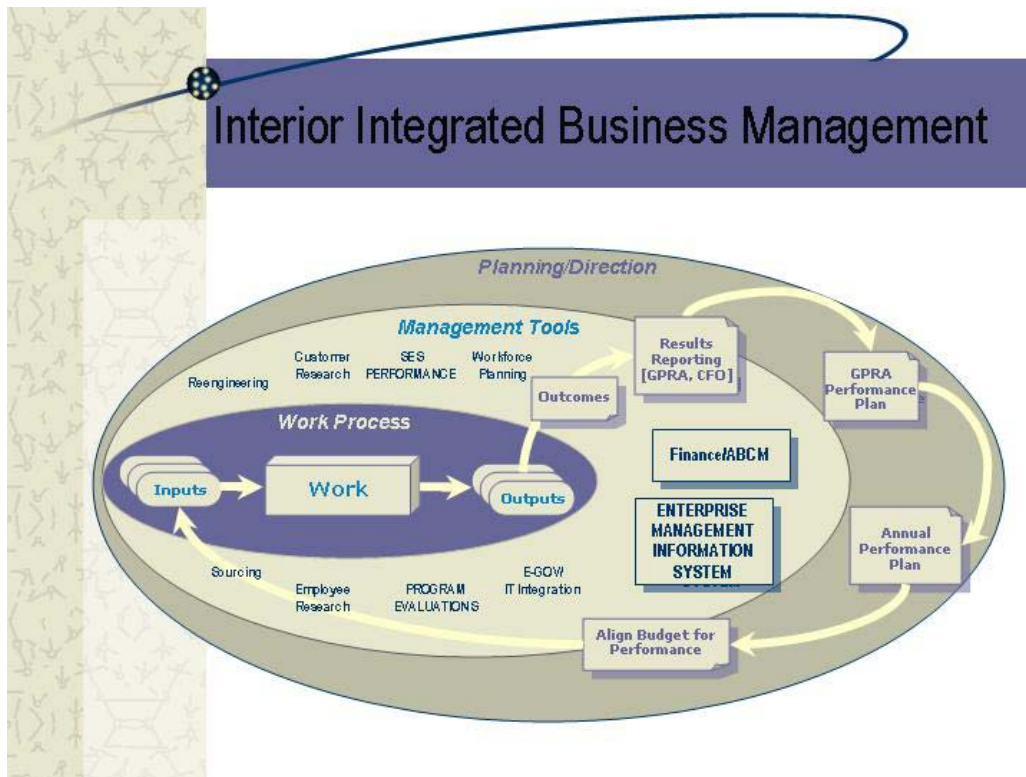
## Vision:

The Interior Integrated Business Management Framework is a systematic approach of planning strategically, establishing realistic program goals, allocating resources to meet desired performance levels, and measuring and reporting program results.<sup>1</sup> Interior aspires to strong, integrated business management that will rival world-class financial organizations. Interior will create a financial management system which links planning and budget with performance results; performs efficient, reliable transaction processing; assembles, trains, and rewards top financial talent; and focuses on analyses to provide managers and employees with timely, reliable information for delivering service to the public.

## Why does the financial system need transformation?

Interior's audit results undermine public confidence that Interior performs its work efficiently and is transparent in how dollars are spent. In the FY02 audit, Interior obtained its sixth unqualified audit opinion, but, once again, only as a result of the heroic efforts of Interior employees working long hours and throughout holidays. Overall, the results of reporting entities' audits have slipped. In 2001, one reporting entity received a disclaimer and one did not obtain an opinion. In 2002, one reporting entity received a disclaimer, three reporting entities received qualifications, and one reporting entity was unable to obtain an opinion. Audit reports<sup>2</sup> from the external auditors have

<sup>1</sup>As illustrated in the Interior Integrated Business Management Model below, a number of tools help Interior employees gauge how well they are doing in achieving Interior goals and provide information that allows informed choices to be made about program delivery. These tools include customer/employee research, workforce planning, reengineering, Information Technology Integration, program evaluation, and Activity Based Cost Management (ABCM).



<sup>2</sup> The KPMB audit findings are consistent with the findings of the US General Accounting Office in their report, "Major Management Challenges and Program Risks," (GAO-03-104, January 2003), p. 32.

identified a number of internal control issues, many of which are considered material weaknesses and most were carried over from prior years.

Government-wide, new requirements for timely information have been established by OMB, including quarterly financial statements and annual financial statements with accompanying audits within 45 days of the end of the fiscal year.<sup>3</sup> Completing the annual financial statement and audit by November 15, 2003 - and ongoing quarterly statements - is impossible for Interior using its current processes because the inability to record transactions as they occur means that the information needed to prepare timely financial statements is simply not available. Moreover, these processes need to be standardized and improved to facilitate movement to the new core financial system included in the Financial and Business Management System proposed in the President's FY2004 budget.

**World-class organizations close in three days and report in one day.<sup>4</sup>**

In addition, the lack of timely, reliable management information related to budget execution, cost of doing business, and performance hinders the ability of Interior managers and employees to manage their work to provide the best value for American taxpayers. Consistent, timely information is not currently available in the Department, making it difficult to discuss program performance and program costs fully within Interior, with OMB and Congress, and with citizens and partners. In contrast, 65 percent of world-class organizations generate performance reports from a data warehouse to allow "staff members to obtain a rapid and complete picture of the business, and compare and consolidate information across different functional systems,"<sup>5</sup> and 97 percent of world-class organizations provide *ad hoc* reporting capabilities to their organizations.<sup>6</sup>

These limitations necessitate a radical change in the way finance is delivered in Interior.

**What is the current situation?<sup>7</sup>**

The financial community<sup>8</sup> has struggled to meet increased demands for accountability while mired in work processes and financial systems from another era. The problems are varied and many are long-standing. Some of the most pressing issues are:

**Finance policy and processes:**

- Financial transactions are not always recorded, reconciled, or costed properly and timely during the course of the year so that "the Department undertakes a massive effort every year

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<sup>3</sup> This compares with the FY2002 audit which was completed on January 31, 2003, or 123 days after the close of the fiscal year.

<sup>4</sup> Hackett Best Practices 2002 in Finance, p. 13.

<sup>5</sup> "Profile of World-Class Finance 2003, the Hackett Group, p. 17.

<sup>6</sup> Hackett, p. 9.

<sup>7</sup> This paper does not address the procedures and internal controls needed to address the deficiencies related to Indian Trust Fund Controls. Interior's plans to address these deficiencies are on a separate remedial track.

<sup>8</sup> Managers other than the CFO typically are responsible for maintaining records relating to property, doing acquisitions, collecting revenue, or other front-line transactions that form the basis of the finance system. If these transactions are not entered in a timely, reliable manner, the finance organization cannot properly function. Consequently, the financial community includes the other entities that form a part of the overall financial system.

to compile, analyze, and correct its financial data in order to prepare accurate financial statements.”<sup>9</sup>

- Consistent policies and procedures need to be issued and implemented to exercise better control over property, plant, and equipment.
- Improved processes are needed to reconcile intra-departmental and intra-governmental transactions and balances.
- Controls over undelivered orders and accruals are not sufficient to ensure that accruals are recorded and undelivered orders are adjusted for services and products received prior to the end of the reporting period.
- Controls need to be improved to ensure that claims and assessments are properly accrued or disclosed in the financial report and that environmental liabilities are properly recorded.
- Controls over revenue processing for reimbursable activities must be improved.
- Controls over the Interior Franchise Fund must be improved.<sup>10</sup>
- Consistent deferred maintenance policies and procedures need to be issued, implemented and followed to improve internal controls and reporting in accordance generally accepted accounting principles (GAAP).
- The current financial reporting processes are so labor intensive that they cannot be maintained over time.
- Not all bureaus follow the standard financial statement and footnote formats established by the Department. This condition results in report discrepancies that require additional work by the Department and bureaus to resolve.
- Improved financial processes and management are required at the U.S. Geological Survey.
- Bureau of Indian Affairs processes need improvement to comply with the Debt Collection Improvement Act of 1996 so that receivables over 180 days delinquent are referred to the Treasury.
- Improvements are needed to comply with the Federal Financial Management Improvement Act of 1996

**Financial systems:**

- Security and controls over information systems need to be improved so that Interior is compliant with OMB Circular A-130, Management of Federal Information Resources.
- Bureau’s financial systems are not standardized or integrated. As a result, bureaus have to maintain individual interfaces for many of their critical financial systems in order to produce accurate financial data.
- Current knowledge of FFS is shrinking with retirements resulting in the underutilization of the system’s capabilities and an increased reliance on contractors.
- The vendor will not support FFS and IDEAS software in the near future and the replacement of these systems with the Financial and Business Management System (FBMS) provides an opportunity to improve processes and support if managed properly.

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<sup>9</sup> Department of the Interior Top Management Challenges, Office of the Inspector General, Attachment 2 to the FY2002 Annual Report on Performance and Accountability, p.1.

<sup>10</sup> In FY02 the National Business Center and the Minerals Management Service (MMS) each operated portions of the franchise fund causing confusion and a lack of accountability, which was a factor in the qualification for both the Secretary’s Office and the Interior Franchise Fund. Management of the franchise fund has now been moved to the MMS to improve accountability and eliminate the issues raised in the audit findings.

**Work force planning:**

- Interior's financial management capacity is rapidly eroding so that a hardworking and dedicated staff finds itself under-skilled, weakly organized, and overwhelmed by increased workloads.
- Management of bureau finance operations is inconsistent and these individual bureau inadequacies impact on the effectiveness of all bureaus and the Department.
- The importance of good financial management is not uniformly recognized throughout Interior, resulting in a lack of leadership and resources dedicated to maintaining quality finance operations.

**Performance accountability:**

- As the financial organization has downsized, the internal control function has become almost nonexistent within Interior. As a result, major problems are identified in the audit process rather than being addressed as a result of internal reviews.
- DOI has not identified a set of metrics for measuring and improving performance. Consequently, there is no consistent approach to ensuring that the financial transformation is progressing in a timely and reliable manner.
- Until this year, the accountability for financial performance was targeted to Senior Executive Service managers in the financial organizations, typically the Chief Financial Officers (CFO). Accountability did not extend to the Regional Directors, State Directors, or Field Managers who frequently manage the front line portions of the finance operation. Accountability throughout the organization is the foundation for sound financial management.

**How do we transform the finance function in Interior?**

FY2003 will be an extraordinarily complex year for the Interior financial community. There are major internal and external challenges ahead that will require Interior to:

- Develop and implement new processes and procedures to allow monthly, quarterly, and annual reporting, analysis, and auditing so that Interior can meet the November 15 report and audit deadline.
- Develop and implement new policies and processes to resolve the material weaknesses and reportable conditions identified in the FY2002 Annual Report on Performance and Accountability.
- Involve all levels of management and establish a hierarchy of priorities
- Prepare for the procurement of the Financial and Business Management System (FBMS)<sup>11</sup> and the deployment of the pilot cost and performance modules of the Enterprise Management Information System (EMIS)<sup>12</sup> part of the FBMS.
- Implement Activity Based Cost Management across Interior to provide managers and employees information about the cost of meeting performance goals.

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<sup>11</sup>Financial and Business Management System (FBMS) will replace critical financial systems throughout the Department to streamline processing, provide financial and budget execution information to manage Interior operations and meet financial statement reporting and audit requirements.

<sup>12</sup>The FBMS includes an Enterprise Management Information Systems (EMIS, which) will provide management information throughout the Department, including workload and performance input and reporting, activity based costing/management (ABC/M), an "Executive Dashboard", and other future reporting functions as modules of the FBM are put in place.

The following steps will be taken to transform finance in Interior:

- Review the best practices in government and private industry to benchmark Interior's progress and discover new approaches to quality program delivery.
- Develop Department wide financial management policies and procedures to be consistent with the processes established for the FBMS and GAAP
- Improve the process for issuing policies and standardized procedures.
- Develop action plans to resolve each material weakness and reportable condition at both the Department and Bureaus.
- Deploy sufficient leadership and resources to financial management to continue operations while the transformation is underway. The Secretary's Office will work with the Bureaus to assure that additional short-term resources are available to meet the FY2003 needs.<sup>13</sup>
- Review the Departmental and bureau structures, staffing, and training to assure that Interior has skilled resources available and functioning. Departmental and Bureau CFOs will provide staffing charts, identify vacancies and a strategy to fill vacancies, and identify additional short-term resources needed to address transformation needs.
- Develop a workforce plan to provide for recruiting for key staff, succession planning, training, and retention of key staff.
- Reestablish the working relationship between the CFO Council, the Chief Information Office, and the Finance Officers Partnership to ensure a cohesive approach to the changes needed in the financial management arena. The overall guidance will be through the Planning, Budget, and Financial Management Integration sub-team of the Management Initiatives Team.<sup>14</sup>
- Create an appropriate management structure to coordinate efforts to standardize processes and monitor the implementation of the FBMS project.
- Assign Process Owners to assure improvements to key processes like the material weaknesses relating to security; property, plant, and equipment; financial reporting; reconciliation of intra-government transactions and balances; and the financial processes at the USGS.
- Develop financial management performance measures (metrics) and quality control procedures.

Interior stands at a crossroad—it can either move forward or continue to fall backwards into a financial management abyss. The situation requires aggressive effort throughout the remainder of FY03 and continued improvement in FY04 and beyond. In reality, the only choice is to take the following critical actions quickly to reverse the decline. With concentrated effort, financial management can be the solid foundation for Interior's Integrated Business Management Framework and its service delivery to the public.

### **Who is responsible for the transformation of financial management within Interior?**

All employees—from the Secretary to the managers and staff who purchase property or services—are responsible for the transformation of financial management. Interior recognizes that to

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<sup>13</sup> Assistant Secretary P. Lynn Scarlett initiated this effort in a memorandum to Assistant Secretaries and Bureau Heads on February 11, 2003.

<sup>14</sup> The Management Initiatives Team is chaired by the Assistant Secretary, Policy, Management and Budget and is composed of the Deputy Assistant Secretaries, the Chief Information Officer, and the Deputy Bureau Heads.

improve financial management and effectively transform and streamline financial management activities and processes, it is imperative that collaborative working relationships be established between program and financial managers. The critical transformation actions that follow are designed to jumpstart this process. To assure the success of these actions the Management Initiative Team has devised the following structure:

- **CFO Council:** A member of the CFO Council will champion each transformation action within the senior management of the Department
- **Action Leaders:** the action leader is responsible for the success or failure of the overall transformation action. The Action Leader in concert with the Team Lead and Partners develops a comprehensive plan and budget to support the transformation action stages. The Action Leader tracks the progress of the transformation action for the Management Initiatives Team and works to alleviate institutional barriers that impede the work of the team lead and partners on the plan. The action leaders will be available to provide weekly updates on the action status either through a meeting or conference call
- **Team Lead:** the team lead is the project manager and primary point of contact regarding the status of a stage of the overall transformation action. The lead, together with the partners is responsible for the success or failure of the action stage they work on.
- **Partner(s):** work collaboratively with the team lead to make the action stage(s) they work on happen.

Secretary Gale Norton, Deputy Secretary Steven Griles and Chief Financial Officer Lynn Scarlett, have agree to the need for progress and success of each of these Finance Transformation Actions. They, along with the Assistant Secretaries and Bureau Heads, have pledged their support and will be available to facilitate the Department's financial management transformation.

## Plan of Action for Transformation of Interior Financial Management: Phase I

### Finance Transformation Action 1: Benchmark Success

Structure visits with successful governmental and private sector organizations to learn how they engineered quantum improvements in financial management.

#### Outcome

Apply ideas to Interior's Transformation of Financial Management.

#### Transformation Action Leader: Hatfield (PBM)

Action Stages	Target Date to Complete	Lead/(Partner(s))
Complete visits with Agriculture	2/25/03	Hatfield
Visit with Treasury	3/10/03	Hatfield
Visit with Forest Service	3/20/03	Hatfield
Visit with Proctor & Gamble	3/31/03	Hatfield
Consider external review of Interior	3/31/03	Hatfield

## Finance Transformation Action 2: Management Strategy for Phase I

Discuss the issues driving a need for transformation with Interior leadership and implement a management strategy to complete the plan of action.

### Outcome

Obtain concurrence on urgency of need and proposed approach. Put organizational structure in place to be successful.

### Transformation Action Leader: Hatfield (PBM)

Action Stages	Target Date to Complete	Lead/(Partner(s))
Discuss issues w/ CFO/FOP	2/22/03	Hatfield
MEC discussion/agreement	3/5/03	Scarlett
Designate Project Manager	3/7/03	Hatfield/(McEnrue, Leshner)
Designate Transformation Action Leaders	3/7/03	Hatfield/(Leshner/CFOs)
Develop FY 03 Blueprint for Phase 1 of the Transformation of Financial Management	4/11/03	Hatfield (Leshner/Carey/Hagan)
Transformation Action Leaders develop comprehensive plans to complete their actions	4/18/03	Hatfield/(Hagan, Macleod, Sonderman, Woronka, Carey, Howard, Horst, Leshner, Campbell, Baker)

## Finance Transformation Action 3: Financial Organization

Assemble, train and reward top talented personnel needed to perform the work associated with correcting financial weaknesses, improve financial management leadership, implement and maintain ABCM, and prepare for the FBMS.

### Outcome

Strengthen internal capacity to manage financial operations.

### CFO Champion: Horst (OSM)

### Transformation Action Leader: O'Donnell (BLM)

Action Stages	Target Date to Complete	Lead/(Partner(s))
<b>Assess Finance Staffing Status/Condition</b>		
Request information on bureau staffing of finance operations	2/18/03	Hatfield
Analyze bureau staffing issues and identify staffing shortfalls in SO/Bureaus	4/18/03	Sullivan/(FOP, Frank Baker, Rodriguez, Hatfield)



## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

Develop workforce plan for finance to address organizational alignment ,staffing and training	6/30/03	Sullivan/(Carolyn Cohen, Baker)
Develop work plan for the Departmental/Bureau organizations to make needed adjustments	8/1/03	Sullivan/ (CFOs)
<b>Improve Finance Career Development Program</b>		
Finalize career development program for financial personnel working with DOIU	4/18/03	Hatfield, (Commeree, FOP, McPheeters)
Initiate career development program for financial personnel	4/18/03	McPheeters/(Commeree, FOP)
Make available initial course offerings	7/31/03	McPheeters/(Commeree, FOP)
<b>Improve Hiring of Qualified Financial Management Personnel</b>		
Initiate temporary staffing actions	Initiate 3/21/03 and ongoing	Hatfield /(Bureau Heads, Scarlett),
Announce and promote <i>Interior Career Financial Management Intern Program</i>	12/1/02 - 3/31/03	Commeree/(Rodriguez, Davis)
Select <i>Presidential Management Interns</i> for finance office positions at PMI Career Fair mid April (xx to be selected)	4/30/03	Sheila Haley/(Bureaus, PPM, Commeree)
Develop standard PD for critical financial positions	5/30/03	Commeree/(Peabody, Hooker, Smith)
Select 2003 <i>Interior Career Financial Management Intern Program Class</i> for entry level finance office personnel with accounting skills (10-12 to be selected)	5/15/03	Commeree/(Rodriguez, Davis)
Develop approach for consolidated hiring for critical financial positions	6/30/03	Maddox/(Peabody, Streets, Commeree)
<i>Interior Career Financial Management Intern Program</i> Class of 2003 join bureaus and begin training	6/30/03	Commeree/(Rodriguez, Davis)
<i>Presidential Management Interns</i> – Class of 2003 join Department and begin training	6/30/03	Sheila Haley/(Bureaus, PPM, Commeree)

### Finance Transformation Action 4: Policy and Process

Review and revise DOI financial policy and process to provide a sound, consistent base for financial management operation.

#### Outcome

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

The Department and the Bureaus would be operating off the same policy guidance in key areas and would standardize their operational approaches. The key policy and process areas to be addressed are:

- Issuing Accounting and Financial Management Related Policies and Standard Procedures
- Undelivered Orders and Accruals
- Cash Management and Reconciliation
- Intra-governmental transactions and eliminations
- Billings, collections and revenue reporting
- Environmental Liabilities
- Erroneous Payments

### CFO Champion: Hatfield (PMB)

### Transformation Action Leader: Hagan (Contractor)

Action Stages	Target Date to Complete	Lead/(Partner(s))
<b>Develop an improved process for issuing accounting and financial management related policies and standard procedures (KPMG Material Weakness – Finding C 1.)</b>		
Assess the current process for issuing and disseminating policies and standard procedures	4/11/03	Hagan/(McEnrue)
Develop recommendation for improvement	4/15/03	Hagan/(McEnrue, Luu, Leshner, Sonderman)
Implement new procedures for issuing and disseminating policies and standard procedures	Ongoing	Hagan/(McEnrue, Daniels, Webber, Sonderman/CFOs)
Update financial management policy (e.g., Accounting Manual)		
<b>Undelivered Orders and Accruals</b>		
Standardize the accrual process	3/6/03	Hagan/(Carey, Baker)
Bureaus/Departmental Offices must determine the estimation methodology for all categories, document and test the methodology, obtain approval from KPMG for the methodology, and forward the documentation to PFM	6/1/03	Hagan/(Bureaus/Departmental Offices)
Initiate new accrual process	3/31/03	Hagan/(Carey, CFOs)
<b>Cash Management and Reconciliation</b>		
Revise reconciliation process	3/31/03	Carey/(Webber, FSGT)
Implement reconciliation process	3/31/03	Carey/(CFOs)
<b>Intra-governmental Transactions and Eliminations (KPMG Audit Material Weakness – Finding D)</b>		
Initiate new elimination process	3/11/03	Daniels/(FOP, FSGT)
Issue letter on intra-governmental transactions to bureaus	4/10/03	Hatfield/(Daniels, Davis, Rice, Hagan)
<b>Billings, Collections and Revenue Reporting (KPMG Reportable Condition – Finding J)</b>		
Review billing and collections	3/31/03	Webber/(CFOs, Bureaus)

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

processes and recommend improvements		
Provide KPMG with a copy of the recommendations for their comment		Webber
Train Bureaus on new procedures		Webber
Initiate new revenue processes	8/31/03	CFOs
<b>Environmental Liabilities (KPMG Reportable Condition – Finding J)</b>		
Determine what changes are necessary to improve guidance on environmental liabilities	4/15/03	Maddox/(Eisenstein, McEnrue)
Department of Environmental Services needs to establish and maintain a Central Data Base to track sites	5/31/03	Taylor/(Maddox, Eisenstein, Contractor)
Implement new procedures to improve environmental liability reporting	6/30/03	Maddox/(Eisenstein, McEnrue)
<b>Erroneous Payments</b>		
Determine approach for meeting strategic plan goal of one additional payment review process through an external party	4/15/03	Webber/(FOP)
Implement the additional process to achieve the 2003 Performance goal	9/30/03	Webber/(FOP)

### Finance Transformation Action 5: Security and Controls of Financial Management Systems

Comply with OMB Circular A-130 by implementing controls to assure that financial management systems, including FFS, FPPS, IDEAS, and ABACIS are secure.

#### Outcome

Reduced vulnerability to unauthorized access, use, or loss of sensitive information in Interior's financial management systems and eliminate audit material weakness (**KPMG Audit Material Weakness – Finding A**) or reduced to a reportable condition in 2003.

**CFO Champion: Brown (MMS)**

**Transformation Action Leader: Macleod (NBC)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
<b>Department Computer Security Program</b>		
Share Entity-Wide Security Plan with KPMG to ensure policies are in accordance with their expectations	4/15/03	CIO, KPMG Tipton/Howard
Finalize criteria to be used for Management Control/NIST 800-	4/30/03	CIO Tipton/Mahach

# TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

26 reviews in FY 2003 and transmit to Bureaus		
Develop and distribute Standard Statement of Work and Preferred Contractor Information Package for Certification & Accreditation tasks	4/15/03	CIO Tipton/Mahach
Compile system inventory and schedule Initial Assessments to be conducted in FY 2003	4/15/03	CIO/Bureau Security Officers Tipton/Mitchell
Clearly communicate and train the business and technical staff on the entity-wide security program throughout the Department	8/29/03	CIO Tipton/Mahach
Conduct bureau level program assessments of security plan implementation	On-going Mid-year review 5/16/03	CIO/BITSMS
<b>Financial Systems Application IT Improvements</b>		
Review IT security audit findings and determine remaining issues to be resolved in fy2003*	7/11/03	CIO/(Howard/Bureaus) Vo/Howard/BITSMS
Develop plan to address audit issues related to financial systems including: <ul style="list-style-type: none"> <li>• Access Controls</li> <li>• System Software Controls</li> <li>• Software Development and Change Controls</li> <li>• Application Controls</li> <li>• Service Continuity</li> </ul>	7/11/03	CIO/PFM/Bureau Security Officers/Bureau CFOs
Develop implementation schedule and tracking mechanism for implementing recommendations for financial managements system security improvements	8/29/03	CIO, System Owners, BITSMS Tipton/Mahach
<b>Financial Management Systems IT Security Assessment and Reviews</b>		
Compile an inventory of financial management systems in the Department and its bureaus, identifying the General Support System(s) that individual systems rely on	7/11/03	PFM, PAM, CIO, Bureaus Howard, Horsley, Mitchell, BITSMS
Transmit final Management Control Review (NIST 800-26) of each financial management system in conjunction with System Owners, CIO Office and Bureau IT Security Officers	7/15/03	Systems Managers/contractors/BITSMS
Conduct Initial Assessment of each financial management system based on Departmental Guidance	8/31/03	Bureau CIOs, A-130 Project Managers, BITSMS, System Owners, System Managers
<b>Financial Management Systems Certification &amp; Accreditation (A-130)</b>		
Obtain Interim Accreditation (IATO) for all financial management system based on	12/31/03	Bureau CIOs, A-130 Project Managers, BITSMS, System Owners, System Managers

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

Departmental Guidance		
Obtain full Certification & Accreditation for all financial management system based on Departmental Guidance	12/31/05 (sooner based on available funding)	Bureau CIOs, A-130 Project Managers, BITSMS, System Owners, System Managers

### Finance Transformation Action 6: Improve Controls over Property, Plant and Equipment

Address KPMG Audit findings related to controls over property, plant and equipment (PP&E) to improve management over PP&E and resolve the internal control material weaknesses identified in the 2002 KPMG Audit Report (**KPMG Audit Material Weakness – Finding B**). This will include improvements in:

- Capitalization of Assets
- Inventory and Certification Process
- Acquisition and Disposals
- Construction in Process
- Transfers
- Land and Land Rights
- Recording Depreciation
- Reconciliation of Subsidiary Ledgers to the General Ledger

This action item will also include addressing the Reportable Condition related to Deferred Maintenance.

#### Outcome

- The Department improves management and controls over PP&E so that the Department no longer has an audit material weakness for 2003.

**CFO Champion: Henne (FWS)**

**Transformation Action Leader: Sonderman (PAM)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
<b>Controls over Property, Plant and Equipment (KPMG Material Weakness – Finding B)</b>		
Revise DOI real property policy	4/30/03	Sonderman/(Leshner)
Develop strategy to communicate new property policies	4/30/03	Sonderman/(Leshner, Maddox)
Implement new real property policy	Ongoing	Sonderman/(Maddox,CFOs)
Discuss new policy relating to property, plant, & equipment at the Grant & Acquisition Management Conference	4/1/03	Sonderman
Revise DOI personal property policy	5/15/03	Sonderman/(Maddox, Leshner)
Develop new real property guidelines for specific issues that require detailed standard	5/30/03	

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

procedures		
Implement new real property guidelines	5/30/03	
Review BOR's FMFIA Material Weakness Plan related to Land and Land Rights inventory efforts with KPMG to ensure plan addresses Audit Material Weaknesses	5/30/03	Sonderman/(Maddox, KPMG)
Adjust BOR FMFIA Material Weakness Plan if appropriate based on KPMG comments	5/30/03	Sonderman/(Maddox, BOR, KPMG)
Monitor BOR implementation of FMFIA Material Weakness Plan as part of normal FMFIA monitoring process	Ongoing Quarterly	Sonderman/(Maddox, BOR)
<b>Deferred Maintenance (KPMG Reportable Condition – Finding L)</b>		
Develop Process to improve deferred maintenance reporting		Kass/(Maddox)
Implement improved process to improve deferred maintenance reporting and control		Kass/(Maddox)

### Finance Transformation Action 7: Debt Management Improvement

Comply with the Debt Collection Improvement Act of 1996 (DCIA) and improve the Department's debt collection performance.

#### Outcome

Improved the debt management process to ensure the Department is in compliance with DCIA (KPMG Compliance Issue – Finding M) in 2003 and reduce future write-offs of debt.

**CFO Champion: Rinne (BOR)**

**Transformation Action Leader: Woronka (PFM)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
Review Quarterly Bureau Reports on receivables; initiate follow-up actions with bureaus as necessary	2/15/03 5/15/03 8/15/03	Woronka/(PFM, Bureaus)
Provide bureau training on DCIA requirements	4/2–3/03	Woronka/(Bureaus)
Standardize bureau debt referral profiles with the Department of Treasury	4/15/03	Woronka/(PFM, Bureaus)
Review planned activities for the year to improve debt management with KPMG to determine if they address audit concerns and make adjustment as necessary	4/15/03	Woronka/(Weber, KPMG)
Assist BIA's Irrigation and Power	On-going	Woronka/(BIA)

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

and Economic Development Programs to improve performance		
Develop and publicize Administrative Wage Commitment Procedures in the Federal Register	5/15/03	Webber/(Anthony)

### Finance Transformation Action 8: Financial Reporting

Improve the transaction, reconciliation, and reporting process.

#### Outcome

Enable Interior to meet the 11/15 report date; create timely, reliable financial data and resolve KPMG Audit Material Weakness related to controls over financial reporting.

**CFO Champion: Schaeffer (NPS)**

**Transformation Action Leader: Carey (PFM)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
<b>Improve Transaction Processing (KPMG Audit Material Weakness – Finding C 2)</b>		
Confirm Standard Posting Models for the Department	3/31/03	Carey/(DeNardo, Smith)
Request that NBC verify the Standard Posting Models are being used in each bureau	5/31/03	Carey/(NBC, DeNardo, Smith)
Develop work plans for any bureau that is not using the Standard Posting Models	5/31/03	Carey/(Bureaus)
Correct any Bureau not using the Standard Posting Models	6/30/03	Carey/(Bureaus)
<b>Implement Monthly and Quarterly financial statement process</b>		
Establish routine procedures and tasks for monthly and quarterly processes	3/1/03	Hagan/(Carey)
Initiate new monthly & quarterly (3 day) close processes	3/31/03	Hagan/(Carey, CFOs)
Monitor and improvement of bureau monthly closing process	Ongoing	Contract Project Manager/(PFM/FOP)
<b>Improve FY03 Financial Statements and Audit Process</b>		
Formulate changes to FY 2003 financial statements/footnotes at the Phoenix Workshop	3/31/03	Carey/(FSGT)
Develop guidance & timeline for FY03 Audit	3/31/03	Carey/(IG, KPMG, CFOs)
Bureaus develop a plan to meet the timeline	4/15/03	Bureau CFOs/(FOP)
Designate audit liaisons	4/15/03	Bureau CFOs
Issue Guidance and timelines for FY2003 reports	5/1/03	Carey/(PFM)
DOI/Bureaus draft financial statements	5/15-8/15/03	Carey/(PFM, Bureaus)

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

DOI/Bureaus prepare draft annual reports	8/15/03	Hatfield/(PFM/PPP/Bureaus)
Bureaus complete annual reports	11/1/03	Bureaus
Department completes Performance and Accountability Report	11/15/03	Hatfield/(PFM/PPP)
<b>ABCM (KPMG audit Material Weakness – Finding C4)</b>		
Implement ABCM	10/1/04	Scarlett/(Hatfield, Bureau Head and CFOs)
<b>Grant Monitoring (KPMG Audit Material Weakness – Finding C 5)</b>		
Review KPMG recommendation to improve the collection of information for financial statements related to Grants	4/15/03	Sonderman/(PAM)
Implement improved Grant reporting procedures	6/30/03	Bureaus
<b>Improve Claims and Assessment Disclosure Process (KPMG Reportable Condition – Finding H)</b>		
Develop new claims and assessment collection process in the SOL	3/31/03	Eisenstein/Maddox/SOL
Implement the new claims and assessment process	6/30/03	SOL

### Finance Transformation Action 9: Monitoring Correction of Material Weaknesses & Reportable Conditions

Address all internal control finding and non-compliance issues reported in the 2002 Audit Reports. These include the following Departmental internal control findings and noncompliance issues:

#### Departmental Material Weaknesses: (Complete)

- A. *Security and general controls over financial management systems (covered in Transformation Action item 5)*
- B. *Controls over Property, Plant and Equipment (covered in Transformation Action item 6)*
- C. *Controls over financial reporting (covered in Transformation Action item 7)*
- D. *Controls to reconcile intra-governmental transactions and balances (covered in Finance Transformation Action item 4)*
- E. Indian Trust Fund Controls (addressed in other plans)
- F. *Financial Processes at the U.S. Geological Survey (covered in Finance Transformation Action item 13)*

#### Other Reportable Conditions (Incomplete)

- G. *Controls over undelivered orders and accruals (covered by Transformation Action Item 4)*
- H. *Controls for recording and disclosing claims and assessments (covered by Transformation Action item 7)*
- I. *Controls over environmental liabilities (covered by Transformation Action item 4)*
- J. *Controls over revenue processes (covered Transformation Action item 4)*
- K. *Controls over Interior Franchise Fund (covered by Transformation Action item 14)*
- L. *Deferred Maintenance reporting (covered by Transformation Action item 6)*

#### Compliance with Laws and Regulations (Complete)

- M. *Debt Collection Improvement Act of 1996 (covered by Transformation Action item 4)*
- N. *Section 113 of Public Law 104-208 – Advance for Interior Franchise Fund (covered in Transformation Action item 14)*
- O. *Federal Financial Management Improvement Act of 1996 (covered by Transformation Action items 5 and 7)*



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*Note: Italics indicate issue is covered in the referenced Transformation Action Item*

The process also includes monitoring progress in correcting individual bureau internal control finding a non-compliance issues reported in the 2003 KPMG Reports

### Outcome

Financial program weaknesses will be corrected.

**CFO Champion: Clark (BIA)**

**Transformation Action Leader: Howard (PFM)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
Department develops plans for resolution of Departmental KPMG audit findings. Plans for selected items included in this document as indicated above. A separate plan to be received for Indian Trust Funds controls from OST and a plan for addressing Section 113 compliance for Franchise Fund Advances	4/15/03	Howard/ (Hatfield, Bureau Heads)
Bureaus develop plans for resolution of Bureau KPMG Audit Findings. U.S. Geological Survey plan should include a separate section to address action items to resolve KPMG Material Weakness Finding F	4/15/03	Missing BIA
Hold 2 <sup>nd</sup> quarter meeting with bureaus on status of corrective actions and prepare status report	5/15/03	Bureaus representatives/PFM
Hold 3 <sup>rd</sup> quarter meeting with bureaus on status of corrective actions and prepare status report	8/31/03	Bureaus representatives/PFM
Monitor audit "Notice of Findings and Recommendations" (NFRs) during audit to make final assessment of progress	10/10/03	PFM/Bureaus
Hold year-end meeting with bureaus on status of corrective actions and make preliminary assessment of status of progress	10/31/03	Hatfield/PFM/Bureaus
Complete final assessment of status of progress on KPMG internal control findings and non-compliance issues	11/15/03	Hatfield/(PFM, Bureaus)

**Finance Transformation Action 10: Metrics & Accountability**

Develop metrics and an internal control process to measure progress against Government-wide financial requirements and Departmental goals.

**Outcome**

Improve accountability for meeting financial requirements and the capability to resolve problems early.

**CFO Champion: Aten (USGS)**

**Transformation Action Leader: Horst (OSM)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
Develop metrics of financial management performance measures including performance objectives, and frequency of reporting	3/15/03	Horst/(Hatfield, Leshner, Webber)
Implement process and system for tracking financial management performance measures	5/31/03	Horst/(Hatfield, Leshner, Webber)
Implement monthly meetings with CFOs and FOP to review financial management performance measures	5/31/03	Horst/(Hatfield, Leshner, Webber)
Review and revise financial management performance measures	12/31/03	Horst/(Hatfield, Leshner, Webber)

**Finance Transformation Action 11: Revamp Performance and Accountability Report (PAR)**

Revamp the Performance and Accountability Report to provide a more user-friendly document.

**Outcome**

Communicate a clear assessment of Interior's progress in meeting its accountability and performance reporting requirements.

**CFO Champion: Scarlett (PMB)**

**Transformation Action Leader: Campbell (PPP)**

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Action Stages	Target Date to Complete	Lead/(Partner(s))
Benchmark corporate and governmental examples	5/15/03	Scarlett, Hatfield, Leshner, CFOs
Revise performance data reporting	5/15/03	Cameron/Campbell
Develop a revised PAR format	6/15/03	Scarlett, Hatfield, Leshner, CFOs
Complete PAR	10/15/03	Scarlett, Hatfield, Campbell, Leshner, CFOs

### Finance Transformation Action 12: Modernize Financial Management Systems

Implement the Financial and Business Management System to streamline financial operations and improve systems support to the Department and its bureaus.

#### Outcome

Streamline operations through better use of technology, leverage e-government initiatives into the Department and provide technology support to a world-class financial management operation.

**CFO Champion: Hatfield (PMB)**

**Transformation Action Leader: Leshner (PFM) /Sonderman (PAM)**

Action Stages	Target Date to Complete	Lead/(Partner(s))
Select contractor to assist in developing RFP for the Financial and Business Management System (FBMS)	3/15/03	Sonderman/Leshner, Integrated Solutions Team
Issue RFP for FBMS Solutions Provider	6/30/03	Sonderman/Leshner, Integrated Solutions Team
Select FBMS Solutions Provider	9/30/03	Scarlett, Hatfield, FBMS Steering Committee, Leshner, Sonderman
Begin Implementation of FBMS	10/1/03	Sonderman/Leshner, Integrated Solutions Team

### Finance Transformation Action 13: Improve Financial Processes at U.S. Geological Survey

The U.S. Geological Survey does not have adequate procedures and controls to ensure timely and accurate financial transaction recording.

#### Outcome

Interior will develop and implement procedures and internal controls to ensure that USGS financial transactions are recorded properly and timely during the year. Specifically, Interior will:

## TRANSFORMATION OF INTERIOR FINANCIAL MANAGEMENT

1. Improve the finance department at the U.S. Geological Survey to ensure that it has effective leadership, federal accounting experience, and authority to enforce financial policies.
2. Re-design the financial processes at U.S. Geological Survey to ensure that they support recording financial transactions accurately and at the time the events occur.

### CFO Champion: Owens (OSM)

### Transformation Action Leader: Baker (USGS)

Action Stages	Target Date to Complete	Lead/(Partner(s))
<b>Improve the finance department at the U.S. Geological Survey to ensure that it has Effective leadership</b>		
Establish audit corrective action team	3/31/03	Aten
Complete Year-End Closing Schedule (Program and Internal)	5/17/03	Baker
Develop/Test and gain KPMG concurrence on Accrual methodology	5/29/03	Baker
Organization, Staffing (Restructure work assignments in central finance office)	5/31/03	Baker
Review/Revise/Implement Standard General Ledger Posting Models (in compliance with FASAB and DOI standards)	5/31/03	Baker
Develop and implement policies and procedures addressing SGL Suspense Account issues	5/31/03	Baker
Report Accrual methodology for DOI approval	6/1/03	Baker
Reconcile All Balance Sheet Accounts	6/30/03	Baker
Accomplish Preliminary Hard-Close for auditors to begin substantive testing (Date has been negotiated with KPMG partner)	7/31/03	Baker
Final Adjusted Trial Balance loaded to Hyperion	10/8/03	Baker
Final AFR to KPMG	10/23/03	Baker

### Finance Transformation Action 14: Improve Controls over Interior Franchise Fund

Address reportable condition identified in FY 2002 Annual Report on Performance and Accountability (No. 2003-I-0014) as Controls over Interior Franchise Fund. This reportable condition included both organization alignment issues and operational issues.

### Outcome

Reportable condition will be corrected.

**Transformation Action Leader: Matheson**

Action	Target Date to Complete	Lead
New IFF organizational alignment implemented	Start of FY 2003	Matheson
Implement new financial system module for IFF transactions	April 2003	Matheson
Complete reconciliation of FY 2002/FY 2003 Closing/Opening balances	June 2003	Weaver
Record and reconcile new transactions throughout the year	Ongoing	Pope